

COWBOY FACILITIES, INC.
Lake Charles, Louisiana

Annual Financial Report
June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

9/15/10

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cowboy Facilities, Inc.
Lake Charles, Louisiana

I have audited the accompanying statement of financial position of Cowboy Facilities, Inc., a nonprofit organization, as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Cowboy Facilities, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cowboy Facilities, Inc., as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 7, 2010 on my consideration of Cowboy Facilities, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Steven M. Derouen, CPA

Lake Charles, Louisiana
September 7, 2010

Cowboy Facilities, Inc.
Lake Charles, Louisiana
Statement of Financial Position
June 30, 2010

Assets

Current Restricted Assets (Construction and Revenue Bonds)	
Cash	\$ 2,863,870
Total Current Assets	<u>2,863,870</u>
Property, Plant and Equipment	
Buildings, improvements, furniture, fixtures and equipment	20,740,523
Accumulated depreciation	(6,114,668)
Total Property, Plant and Equipment	<u>14,625,855</u>
Other Assets	
Deferred financing costs	954,742
Total Other Assets	<u>954,742</u>
Total Assets	<u><u>\$ 18,444,467</u></u>

Liabilities and Net Assets

Liabilities

Current Liabilities (payable from restricted assets)

Current portion of revenue bonds payable	\$ 635,000
Accrued liabilities	172,407
Total Current Liabilities (payable from restricted assets)	<u>807,407</u>

Long Term Liabilities

Revenue bonds payable	18,678,604
Total Long Term Liabilities	<u>18,678,604</u>
Total Liabilities	<u>19,486,011</u>

Net Assets

Restricted for debt service and construction	2,056,463
Unrestricted	(3,098,007)
Total Net Assets	<u>(1,041,544)</u>

Total Liabilities and Net Assets	<u><u>\$ 18,444,467</u></u>
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The accompanying notes are an integral part of this statement

Cowboy Facilities, Inc.
Lake Charles, Louisiana
Statement of Activities
For The Year Ended June 30, 2010

Unrestricted Net Assets:

Revenues and Other Support:

Rental income	\$ 2,981,624
Interest income	2,800
	<hr/>
Total Unrestricted Revenues and Other Support	2,984,424

Expenses:

Management expense	973,148
Depreciation expense	877,411
Amortization expense	62,843
Interest expense	1,085,229
	<hr/>
Total Operating Expenses	2,998,631

Increase (Decrease) in Unrestricted Net Assets	<hr/> (14,207) <hr/>
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Net Assets - Beginning of Period	<hr/> (1,027,337) <hr/>
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Net Assets - End of Period	<hr/> <hr/> \$ (1,041,544) <hr/>
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Cowboy Facilities, Inc.
Lake Charles, Louisiana
Statement of Cash Flows
For The Year Ended June 30, 2010

Cash Flows from Operating Activities	
Change in Net Assets	\$ (14,207)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	940,255
Decrease in accrued interest payable	(15,533)
Other	(71)
	<hr/>
Total Adjustments	924,651
	<hr/>
Net cash provided by (used in) operating activities	910,444
	<hr/>
 Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant and equipment	(118,536)
Principal payments on bonds	(1,050,000)
Amortization of bond discount	15,767
	<hr/>
Net Cash (Used) by Financing Activities	(1,152,769)
	<hr/>
 Net increase (decrease) in cash and cash equivalents	(242,325)
 Cash and Cash Equivalents at Beginning of Year	3,106,195
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Cash and Cash Equivalents at End of Year	\$ 2,863,870
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 Supplemental Information	
Cash paid for interest	\$ 1,085,065
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The accompanying notes are an integral part of this statement

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2010

Note 1 -Summary of Significant Accounting Policies

The financial statements of Cowboy Facilities, Inc. (the Corporation) have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

Organization

Cowboy Facilities, Inc. is a Louisiana nonprofit corporation created exclusively to promote, assist, and benefit the educational, scientific, research, and public service mission of McNeese State University by engaging in any lawful activity in which a nonprofit corporation meeting the requirements of Section 501 (c)(3) of the Internal Revenue Code may participate. The Corporation has not applied for a determination letter from the Internal Revenue Service regarding its status as a 501 (c)(3) corporation.

The business affairs of the Corporation are administered by a five member Board of Directors, who also comprise the entire membership of the Corporation. The Board of Directors serve without compensation.

In accordance with its Articles of Incorporation, the Corporation may specifically engage in acquiring, constructing, developing, managing, leasing, mortgaging or conveying student housing and other facilities on the campus of the University.

The entity is a component unit of McNeese State University. A component unit is defined as a legally separate organization for which the primary government (McNeese State University) is financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2010

Note 1 -Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$5000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30
Furniture, fixtures and equipment	10 - 20

Financial Statement Preparation

The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

Contributions

The Corporation has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Deferred Financing Costs

The cost of issuing revenue bonds is deferred and amortized over the life of the bonds as a financing expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.

Bond Discounts

Original issue discounts realized upon issuance of bonds are deferred and presented as a reduction of the face amount of bonds payable on the balance sheet. The deferred amount is amortized over the life of the bonds as a component of interest expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2010

Note 2 -Facilities Lease Agreement

As of May, 2001, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities of the Corporation effective as of the date of completion of the construction. The Board agrees to pay the Base Rental semiannually, on each April 15 and October 15 during the term of the lease in an amount equal to the interest and principal due on the Revenue Bonds on the following May or November 1, as the case may be. In addition to the Base Rental, the Board agrees to pay as Additional Rental any and all expenses incurred by the Corporation, on behalf of the Board or University in the management, operation, ownership, and/or maintenance of the Facilities.

As of January, 2004, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities (Parking Improvements). The Board agrees to pay the Rental semiannually, on each June 15 and December 15 during the term of the lease in an amount equal to the interest and principal due on the Series 2004 Bonds on the following July 1 or January 1, as the case may be. Also, annually on December 15 in each year commencing December 15, 2004, an amount equal to \$11,217 shall be deposited in the Maintenance Reserve Fund. In addition to the Rental, the Board agrees to pay any and all expenses incurred by the Corporation, on behalf of the Board or University in the maintenance, operation, ownership, and/or maintenance of the Facilities. The Series 2004 Bonds were paid off in fiscal year June 30, 2010, therefore the \$11,217 deposit to the Maintenance Reserve Fund was not required.

As of April, 2005, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities (Scoreboard Improvements). The Board agrees to pay the Rental semiannually, on each March 15 and September 15 during the term of the lease in an amount equal to the interest and principal due on the Series 2005 Bonds on the following October 1 or April 1, as the case may be. Also, annually on April 15 in each year commencing April 15, 2006, an amount equal to \$30,000 shall be deposited in the Reserve Fund. In addition to the Rental, the Board agrees to pay any and all expenses incurred by the Corporation, on behalf of the Board or University in the maintenance, operation, ownership, and/or maintenance of the Facilities.

Note 3 -Long-Term Debt

On May 31, 2001, Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing of the construction of student housing facilities on the campus of McNeese State University. Financing of the project is through the issuance of \$21,120,000 University Student Lease Revenue Bonds, Series 2001. The Bonds have yearly fixed rate of interest at an average yield of 5.399% and are due in varying installments through 2033. Proceeds from the Bond issuance are used to pay the costs of the project; fund a deposit to the reserve funds; to pay capitalized interest on the Bonds; and to pay costs of issuance of the Bonds.

On February 1, 2004, the Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Trust Authority to obtain financing of the construction of public parking facilities at the Doland Athletic Complex. Financing of the project is through the issuance of \$820,000 University Revenue Bonds, Series 2004. The Bonds have yearly fixed rate of interest at 4.73% and are due in varying installments through 2014. These bonds were paid off during fiscal year June 30, 2010.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2010

Note 3 – Long-Term Debt (continued)

On April 1, 2005, the Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Trust Authority to obtain financing of the construction of scoreboard improvements at various athletic locations on the campus of McNeese State University. Financing of the project is through the issuance of \$1,900,000 McNeese State University – Cowboy Facilities, Inc. Scoreboard Project Taxable Revenue Bonds. The Bonds have a yearly fixed rate of interest at 6.5% and are due in varying installments through 2015.

Scheduled sinking fund requirement on the long-term debt are as follows:

2011	\$ 635,000
2012	665,000
2013	700,000
2014	730,000
2015	775,000
Thereafter	<u>16,105,000</u>
 Total long-term debt	 <u>\$19,610,000</u>

Scheduled annual debt service:

Year	Principal	Interest
2011	\$ 635,000	\$ 1,034,440
2012	665,000	1,001,965
2013	700,000	968,400
2014	730,000	932,500
2015	775,000	890,674
2016-2020	3,090,000	3,729,356
2021-2025	4,005,000	2,747,440
2026-2030	5,185,000	1,848,525
2031-2033	<u>3,825,000</u>	<u>408,712</u>
	<u>\$19,610,000</u>	<u>\$13,562,012</u>

Series 2001 Revenue Bonds (net of discount) \$18,213,604

Series 2005 Taxable Revenue Bonds \$ 1,100,000

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2010

Note 4 - Capitalization of Interest

FAS-34 (Capitalization of Interest Costs) requires that interest expenditures incurred during construction of assets be capitalized. FAS-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. Net interest costs capitalized totaled \$-0- during 2010.

Note 5 - Cash and Cash Equivalents

In accordance with GASB, cash equivalent money market accounts is not categorized as subject to credit risk as provided by GASB because the investment and/or cash equivalent is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Also, the Corporation does not have a policy for custodial credit or interest rate risk.

Note 6 - Fair Values of Financial Instruments

The Corporation has a number of financial instruments, none of which is held for trading purposes. The Corporation estimates that the fair value of all financial instruments at June 30, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Corporation using available market information and appropriate valuation methodologies. The recorded values of cash and cash equivalents, and accrued liabilities approximate their fair values based on their short-term nature. The recorded values of bonds payable approximate their fair value, as interest rates approximate market rates.

Note 7 - Subsequent Events

The Corporation evaluated its June 30, 2010 financial statements for subsequent events through September 7, 2010, the date the financial statements were available to be issued. The Corporation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN, CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Cowboy Facilities, Inc.
Lake Charles, Louisiana

I have audited the financial statements of Cowboy Facilities, Inc., a nonprofit organization, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 7, 2010. I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, I considered the Cowboy Facility, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cowboy Facility, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Board of Directors
Cowboy Facilities, Inc.

Compliance

As part of obtaining reasonable assurance about whether Cowboy Facilities, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeLoe, CPA

Lake Charles, Louisiana
September 7, 2010

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Schedule of Findings
June 30, 2010

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on the financial statements.
2. Significant deficiencies or material weaknesses in internal control – Refer to B-1.
3. No instances of noncompliance noted.

B. GAGAS Findings

1. None.

C. Prior Audit Findings

1. None